Office-Supreme Court, U.S.
FILED
JUN 8 1981
ALEXANDER L. STEVAS,
CLERK

No. 80-1692

IN THE

Supreme Court of the United States

OCTOBER TERM, 1980

DECCA LIMITED, *Petitioner,*

v.

UNITED STATES, *Respondent.*

On Petition For A Writ Of Certiorari To The United States Court Of Claims

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REPLY BRIEF FOR PETITIONER

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Petitioner replies to the Government's opposition to the Petition for Certiorari as follows:

(a) The Government's misinterpretation of *Deepsouth v. Laitram*

The critical question in *Deepsouth* (supra) was whether an infringement in the United States was *intended*. The Court held that, if the intention was not to

assemble the patented combination in the United States, but instead to assemble it for the first time in a foreign jurisdiction, there would be no infringement. In the case at bar, the Government's intention was, from the beginning, to assemble the infringing combination in the United States and they did so. Thereafter they continued to make additional parts for assembly into the infringing combination. In these circumstances the Court stated at 406 U.S. 518 p. 526 (1972):

> "Certainly if Deepsouth's conduct were intended to lead to the use of patented deveiners inside the United States its production and sales activity would be subject to an injunction as an induced or contributory infringement."

It is clear, therefore, that in *Deepsouth* the Court did not intend, as the Government now contends, to eliminate (or render valueless) a patent owner's right to enjoin or otherwise to license the manufacture (i.e. manufacture in process) of combination parts, where the intention is to assemble the combination in an infringing manner in the United States.

In addition, when one considers that *all* apparatus patents are combinations of unpatented components, it becomes necessary to draw a distinction between patents covering combinations of staple articles of commerce and patents covering combinations of non-staple articles. Since staple articles can readily be manufactured without any intention to use them in a patented combination, no infringement arises until the intent to combine them is established. Non-staple articles, however, which have no use independently of the patented combination, as the Omega transmitters and receivers in the case at bar, cannot be manufactured at all without an existing intent to combine them in the infringing system. Thus, the mere manufacturing of such articles is an infringement, as the Court stated in the above quotation in *Deepsouth*.

(b) The cost saving of Omega was actually even greater than $640 million

Contrary to what the Government says (at p. 5) there was *no* "inflation" in the cost saving figure of $640 million of Omega over Loran-C found by the Trial Court for equivalent coverage.

By 1966 a Loran-C station cost around $6 million, i.e. virtually the same as an Omega station. The Government experts estimated at that time that it would have cost $430 million for stations alone to expand Loran-C to "near worldwide coverage", whereas Omega station costs were estimated at $49.8 million for full worldwide coverage (PA-123, p. 3-12 and 4-6). The annual operating costs for the expanded Loran-C system would have been $33.2 million compared to $4 million for Omega (PA-123, p. 4-6).

Thus, the ten year costs for station erection and operation for Loran-C would have been $762 million ($430 M + $332 M) compared to $89.8 million for Omega ($49.8 M + $40 M), a difference of $672.2 million. This does not, however, include anything for receivers. Omega receivers are less expensive than Loran-C receivers (see also PA-123 p. 4-6), so additional savings would have been made on receivers depending upon how many were purchased. Thus, the figure of $640 M for the ten year cost saving found by the Trial Court was conservative. It was $32.2 million less than the actual estimates for Loran-C for stations alone.

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Respectfully Submitted,

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